

INDIANA UNIVERSAL SERVICE FUND

Consumers

What is the purpose of Indiana Universal Service Fund?

- In a nutshell, the purpose of universal service is to encourage all households, whether in a remote area or in the city, to obtain and maintain telephone service and to have access to comparable services at comparable prices. This increases the public switched telephone network's value and usefulness for everyone.
- Without universal service support, residents of some areas of the State would pay significantly more for telephone services than those living in other areas because of factors such as rugged terrain, low population densities, or the high fixed costs of building a telecom network.
- Universal Service support for such areas has been around for a long time. The first President of AT&T, Theodore Vail, first conceived the concept of universal service in the late 1800s during his tenure at AT&T.

Where do the funds go?

- The primary recipients of these funds are telecommunications carriers that serve rural areas or low density areas of the state.
- In order to receive IUSF support, a wireline or wireless telephone company must be an eligible telecommunications carrier (ETC) and they must provide financial documentation demonstrating a need for the support. A telephone company can become an ETC by designation from the Indiana Utility Regulatory Commission.
- ETC-designated carriers have ongoing requirements, such as providing access to 9-1-1 emergency services, directory assistance, operator services, and providing a reasonable amount of back-up power so their networks can remain functional in emergency situations, among many others. ETCs that receive support must keep accounting records that verify the funds are used for appropriate network deployment and maintenance.

Is this surcharge a new tax?

- No, it is not a tax. The money does not go to the general fund or to State government.
- Similar programs that provide support for telecommunications in areas that are not marketable to serve have existed in Indiana since the early 1990s. These programs were funded by long distance or interexchange toll revenue from a limited number of companies. Indirectly, consumers contributed to these funds through their toll rates, although there was not an explicit charge in their bill.

- In order to make the fund transparent and competitively neutral across all telecommunications carriers, a surcharge now appears on all Indiana telecommunications customers' bills.

How is the charge determined on my bill?

- The monthly surcharge is currently .54 percent of the bill for intrastate retail telecommunications services. This percentage could change as the fund is monitored and assessed from year to year. Examples of intrastate services are:

local service	intrastate long distance
service establishment charges	directory assistance
custom calling services	non-published number fees
intrastate subscriber line charges	paging

- The surcharge percentage should not apply to interstate or non-telecommunications services such as:

interstate long distance	directory advertising
interstate subscriber line charges	video services
wholesale services	Internet access or broadband services
voice mail	

I already have a USF charge on my bill. Why is the Indiana USF needed?

- The federal USF serves the entire country. In addition to providing support for costly to serve areas across the United States, federal USF contributions are used to fund telephone assistance for low income customers (Lifeline/Link-Up Program), and to connect rural health care facilities, schools and libraries to broadband services.
- The Indiana USF is necessary to ensure a balance for carriers and consumers. These carriers are required to serve higher-cost, rural areas in Indiana in order to keep but also maintain reasonable rates while preserving high levels of service quality.

My Telephone Company is doing “rate rebalancing”. Why are they doing this and what does this mean for me?

- Part of the settlement agreement and order establishing the IUSF required companies that request to receive funds from the State USF to demonstrate a financial need even after changes are made to basic local service rates. The IURC does not require companies to rebalance their rates. However, companies whose basic local service rates are lower than a pre-set benchmark rate (\$16 for res and \$23 for business) and who seek to receive additional financial support from the IUSF must rebalance their rates to meet this benchmark level. This process was put in place because customers of all telecommunications companies, including

companies that do not receive IUSF support like AT&T, Verizon and Embarq, pay into to the IUSF.

- If your company is doing rate rebalancing the company may also choose to merge touchtone charges and average zone charges into one basic local service rate, above and beyond what was established by the Settlement Agreement. Rate rebalancing typically refers to an increase in your basic local service rates; the exact amount of the increase will be specific to the company.